

Message Text

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TO AMEMBASSY ADDIS ABABA IMMEDIATE

INFO AMCONSUL ASMARA PRIORITY

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C O N F I D E N T I A L STATE 050297

E.O. 11652: GDS

TAGS: PINS, PINT, PFOR, ET, US

SUBJECT: KAGNEW PROVISION OF SURPLUS ELECTRICAL POWER TO
ASMARA AND UTILITIES TO PMG-OCCUPIED TRACTS

REF: STATE 035132

1. STATE/DOD CONSIDERATION OF CONTRACTUAL ARRANGEMENTS FOR
PROVISION OF EMERGENCY POWER TO ASMARA AND POWER AND WATER
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ON REGULAR BASIS TO PMG-OCCUPIED TRACTS HAS REVEALED

SUBSTANTIAL PROBLEMS RELATING TO (A) OBTAINING SUFFICIENT AMOUNTS OF FUEL OIL TO OPERATE GENERATORS, AND (B) FINANCIAL RISK AND LEGAL AUTHORITY OF NAVCOMMUNIT IF UTILITY BILLS NOT PROMPTLY PAID.

2. FUEL OIL PROBLEM. IT SEEMS CLEAR IN EXISTING SECURITY CONTEXT IN ERITREA THAT REGULAR SOURCES OF FUEL OIL SUPPLY CANNOT BE DEPENDED UPON AND THAT PMG MAY BE ONLY AVAILABLE SOURCE. NAVCOMMUNIT NOW HAS FUEL OIL RESERVES AT TRACT E SUFFICIENT FOR 4 WEEKS OF OPERATION FOR USG REQUIREMENTS, BUT ONLY 1 WEEK OF OPERATION IF RESERVES USED ALSO FOR PROVISION OF ELECTRICITY TO ASMARA. CONSEQUENTLY, POWER FOR USG CONSUMERS IS PLACED IMMEDIATELY INTO JEOPARDY IF NAVCOMMUNIT RESPONSIBLE FOR SUPPLY OF FUEL OIL FOR ALL USG, PMG, AND CITY REQUIREMENTS, ESTIMATED TO BE 280,000 GALLONS PER MONTH.

3. LEGAL/FINANCIAL PROBLEM. NAVCOMMUNIT BUDGET CONTAINS NO LINE ITEM FOR ABSORPTION OF SUBSTANTIAL COSTS IN EVENT THAT PROMPT PAYMENT FOR ELECTRICITY IS NOT MADE BY PMG. EXPENDITURE FOR REQUIRED QUANTITY OF FUEL OIL WOULD PRESENT MAJOR FINANCIAL RISK TO NAVCOMMUNIT. AS OF JANUARY 31, PMG IN ARREARS TO NAVCOMMUNIT 44,012.55 DOLS. FOR UTILITY SERVICES PREVIOUSLY SUPPLIED TO TRACTS A AND E.

4. BOTH FUEL AND LEGAL/FINANCIAL PROBLEMS CAN BE RESOLVED IF PMG PROVIDES IN ADVANCE ALL FUEL OIL REQUIRED TO GENERATE ELECTRICITY FOR ASMARA CITY AND FOR USG-PMG USE ON ALL TRACTS AT KAGNEW STATION. RATIONALE FOR PMG PROVISION OF FUEL FOR CONTINUING USG USE IS THAT GENERATION OF ELECTRICITY FOR PMG-OCCUPIED TRACTS AND ASMARA REQUIRES ADDITIONAL PERSONNEL AND INCREASES OVERHEAD COSTS OF NAVCOMMUNIT. ACCORDINGLY, REQUEST YOU EXPLORE WITH PMG POSSIBLE ARRANGEMENT IN WHICH NAVCOMMUNIT WILL PROVIDE WATER AND ELECTRICITY TO PMG FOR PMG OCCUPIED TRACTS AND ELECTRICITY ASMARA TO EXTENT PMG DELIVERS FUEL OIL IN ADVANCE. IN EXPLORING THIS CONCEPT WITH PMG, YOU MAY DRAW UPON AS MUCH OF PARAS (1), (2) AND (3) ABOVE AS YOU THINK APPROPRIATE. IF CONCEPT IS FAVORABLY RECEIVED BY PMG, WE

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CONTEMPLATE CONFIRMING IT IN TWO SEPARATE EMBASSY-PMG EXCHANGES OF NOTES. FIRST, TO COVER ELECTRICITY AND WATER FOR PMG-OCCUPIED TRACTS TO EXTENT OIL DELIVERED IN ADVANCE (AND PROVIDING FOR PAYMENT FOR PAST SERVICES). SECOND, TO COVER SURPLUS ELECTRICITY TO ASMARA TO EXTENT SUFFICIENT OIL DELIVERED IN ADVANCE. NAVY LACKS GENERAL SWAP OR BARTER AUTHORITY, SO WE PROPOSE THAT EVENTUAL DOCUMENTATION BE IN FORM OF SALE OF UTILITIES AFTER

PURCHASE OF OIL. SALES AND PURCHASES WILL BE LARGELY OFF-SETTING, PAPER TRANSACTIONS WITH LITTLE MONEY CHANGING HANDS. BASED UPON CURRENT OIL PRICE OF .492 US DOLS. PER US GALLON ESTIMATED PRICES OF ELECTRICITY AND WATER WOULD BE .0653 US DOLS. PER KILOWATT HOUR, AND WATER AT .40.14 US DOLS. PER CUBIC METRIC METER. SMALL PAYMENT ADJUSTMENTS WILL BE MADE MONTHLY DEPENDING ON VOLUME OF OIL DELIVERIES AND UTILITIES FURNISHED.

5. YOU SHOULD NOTE TO THE PMG THAT WITHOUT ADVANCE FUEL OIL DELIVERIES, WE OBVIOUSLY COULD NOT CONTINUE TO PROVIDE UTILITIES. INGERSOLL

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